

CLERK'S OFFICE

**APPROVED**

Date:

5-22-12

Submitted by: Chair of the Assembly at  
the Request of Mayor

Prepared by: Finance Department

For Reading: May 8, 2012

ANCHORAGE, ALASKA

AR No. 2012-128

1 **A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING**  
2 **SEVEN HUNDRED TEN THOUSAND DOLLARS (\$710,000) FROM INTEREST**  
3 **EARNINGS WITHIN THE MOA TRUST FUND (730) FOR EXPERT FINANCIAL**  
4 **MANAGEMENT AND SUPPORT SERVICES PROVIDED IN CALENDAR YEAR**  
5 **2012.**  
6

7  
8 The Anchorage Assembly resolves:

9  
10 Section 1. That the sum of Seven Hundred Ten Thousand Dollars (\$710,000) is  
11 hereby appropriated from interest earnings within the MOA Trust Fund (730) for  
12 expert financial management and support services provided in calendar year 2012.  
13

14 Section 2. That this resolution shall take effect immediately upon approval.

15  
16 PASSED AND APPROVED by the Assembly this 22<sup>nd</sup> day of May, 2012.  
17

18  
19  
20 Erna Hare  
21 Chair

22 ATTEST:

23  
24  
25 Brian S. Benson  
26  
27 Municipal Clerk

28  
29 Departmental appropriation:  
30 Finance Department \$710,000



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 278-2012

Meeting Date: May 8, 2012

1 **FROM:** Mayor

2  
3 **SUBJECT:** Appropriating \$710,000 from Interest Earnings within the MOA  
4 Trust Fund (Fund 730) for Expert Financial Management and  
5 Support Services provided in Calendar Year 2012

6 The Administration requests approval of the Assembly Resolution appropriating an  
7 amount not-to-exceed \$710,000 from the MOA Trust Fund (730) for financial  
8 management and support services provided in calendar year 2012.

9  
10 AMC 6.50.060.A. Definitions (i.e., fund expenses) states:

11  
12 *Fund Expenses means incurred expenses which are reasonably prudent and*  
13 *necessary to manage and invest the assets of the pooled trusts, including all*  
14 *fees charged by external service providers such as investment managers,*  
15 *advisors, custodians and other professionals, and also including MOA's internal*  
16 *direct and indirect expenses incurred in providing administrative and oversight*  
17 *services for the benefit of the pooled trusts. Fund expenses are funded by*  
18 *annual earnings and are allocated to the pooled trusts on a pro-rata basis.*

19  
20 AMC 6.50.060.G1. Management of the Pooled Funds states:

21  
22 *The municipal treasurer shall hire the services of such investment managers,*  
23 *advisors, custodians and other professionals as are reasonably prudent and*  
24 *necessary to manage and invest the assets of the pooled trusts.*

25  
26 The MOA Trust Fund is the single remaining fund. The other portion of the  
27 "pooled trusts" (i.e., the MOA Trust Reserve) was extinguished in 2004.  
28 Diversification is provided through the establishment of multiple portfolios invested  
29 in various areas of the market (i.e., Broad Fixed Income, Treasury Inflation-  
30 Protected Securities (TIPS), Large Cap Growth, Large Cap Value, S&P 500 Index,  
31 International Equity, Small Cap Equity, Mid Cap Index and Real Estate). The  
32 income from the Trust is used to pay all of the fees for services rendered by  
33 investment managers.

34  
35 The MOA Trust Fund's money managers are paid a management fee based on a  
36 quoted fee multiplied by the MOA Trust Fund's market value at the end of each  
37 calendar quarter. Money managers are rewarded for increasing the MOA Trust  
38 Fund's value and penalized for decreased market value using this system of  
39 compensation rather than a flat compensation method.  
40

The Investment Advisory Commission reviews the performance of each of the MOA Trust Fund's money managers quarterly using information and reports provided by the Treasurer and the Investment Consultant (Callan Associates). The Investment Advisory Commission finds the money managers' performance to be satisfactory and they do not recommend any changes to the current line-up of money managers at this time.

In the prior year (2011), the Municipality appropriated \$700,000 for management fees and paid approximately \$656,000 in actual costs, including estimated imputed fees from mutual fund portfolios as well as intergovernmental charges. In 2012, the required expenditure authority to cover fund management costs is proposed to increase slightly to \$710,000. The proposed 2012 appropriation amount assumes as much as a 12% increase in market value over the December 31, 2011 level. Expenses incurred will depend on actual market results and portfolio fees charged by managers throughout 2012. This appropriation request represents a not-to-exceed amount.

Below is an approximate breakdown of the anticipated investment management and support service costs related to management of the MOA Trust Fund in year 2012:

• Fixed Income + TIPS Fund	\$ 93,000	} \$710,000
• Real Estate Portfolio	\$ 75,000	
• Various Equity Funds	\$415,000	
◦ Including: Domestic Large Cap , S&P 500 Index, Midcap Index, Small Cap, Int'l Lg Cap		
• Financial Advisor	\$ 54,000	
• Fund Custodian	\$ 13,000	
• Intergovernmental Charges	\$ 60,000	

The expense levels paid by the MOA Trust Fund are in line with other, similarly-sized endowment and pension funds nationwide which use professional investment management services.

The accounting detail is as follows:

#### REVENUE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-9765-BP2012	Other Interest Income	\$710,000

#### EXPENSE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-3103-BP2012	Manager & Custodian Fee	\$710,000

1 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ASSEMBLY  
2 RESOLUTION APPROPRIATING FUNDS FOR ANTICIPATED EXPENSES  
3 ASSOCIATED WITH MANAGEMENT OF THE MOA TRUST FUND.  
4  
5

6 Prepared by: Daniel Moore, Municipal Treasurer  
7 Concurrence & Fund Certification: Lucinda Mahoney, CFO  
8 730-1348-9765-BP2012 – \$710,000  
9 Concurrence: George J. Vakalis, Municipal Manager  
10 Respectfully submitted: Daniel A. Sullivan, Mayor